

CITY OF ANITA
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2012

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City of Anita

Officials

<u>Name</u>	<u>Title</u> (Before January 2012)	<u>Term Expires</u>
Mitchell Holmes	Mayor	January 2012
Linda Firebaugh	Council Member	January 2012
Marcia Hockenberry	Council Member	January 2012
Jamey Herzberg	Council Member	January 2014
Duane Murphy	Council Member	January 2014
Dennis Zimmerman	Council Member	January 2014

<u>Name</u>	<u>Title</u> (After January 2012)	<u>Term Expires</u>
Tim Miller	Mayor	January 2016
Jamey Herzberg	Council Member	January 2014
Duane Murphy	Council Member	January 2014
Dennis Zimmerman	Council Member	January 2014
Jeff Bohnsack	Council Member	January 2016
Tom Harris	Council Member	January 2016

Lindsay Jahde	City Clerk/Treasurer	Indefinite
James Mailander	Attorney	Indefinite

City of Anita

January 17, 2013
Independent Auditors' Report
City of Anita

In accordance with *Government Auditing Standards*, we have also issued our reports dated January 17, 2013 on our consideration of the City of Anita's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Anita's basic financial statements. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Anita's basic financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 11 and 28 through 30 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Schraer & Associates, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Anita provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities are for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

The financial statements of the City's component unit, Anita Municipal Utilities, are issued under separate cover. Please refer to those financial statements for additional information.

2012 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities decreased approximately \$8,600.
- The cash basis net assets of the City's business type activities increased approximately \$28,000, due primarily to receipts exceeding disbursements in the Enterprise, Sewer Fund.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduce the basic financial statements and provide an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operation in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the city as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the sanitary sewer system. This activity is financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund and 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax. The governmental fund financial statements provided a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Fund. Enterprise Funds are used to report business type activities. The City maintains one Enterprise Fund to provide information for the sewer fund, considered to be major fund of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$299,285 to \$290,651. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	<u>Yr Ended June 30, 2012</u>
Receipts	
Program Receipts:	
Charges for service	\$ 45,804
Operating grants, contributions and restricted interest	396,940
Capital grants, contributions and restricted interest	126,592
General receipts:	
Property tax	261,014
Local option sales tax	102,853
Unrestricted investment earnings	224
Note proceeds	59,675
Other general receipts	<u>11,956</u>
Total receipts	1,005,058
Disbursements:	
Public safety	331,962
Public works	272,309
Culture and recreation	93,380
Community and economic development	46,291
General government	68,503
Debt service	15,730
Capital Projects	<u>185,517</u>
Total disbursements	<u>1,013,692</u>
Change in cash basis net assets	(8,634)
Cash basis net assets beginning of year	<u>299,285</u>
Cash basis net assets end of year	\$ <u>290,651</u>



Diane McGrain, CPA
Jim Menard, CPA

January 17, 2013

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Anita, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Anita's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2011.

In our opinion, based on our audit, except for the efforts of such adjustments, if any, as might have been determined necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2011, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Anita as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Continued...

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Changes in Cash Basis Net Assets of Business Type Activities

	<u>Year Ended June 30, 2012</u>
Receipts:	
Program receipts:	
Charges for service:	
Sewer	\$ 103,015
Disbursements:	
Sewer	<u>74,526</u>
Change in cash basis net assets	28,489
Cash basis net assets beginning of year	<u>231,515</u>
Cash basis net assets end of year	\$ <u>260,004</u>

Total business type activities cash basis net assets increased from a year ago, increasing from \$231,515 to \$260,004. The increase is due primarily to receipts exceeding disbursements in the Enterprise, Sewer Fund.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Anita completed the year, its governmental funds reported a combined fund balance of \$290,651, a decrease of \$8,634 from last year's total of \$299,285. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$4,185 over the prior year to a year-end balance of \$87,052.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$9,589 to \$31,661 during the fiscal year. This change was attributable to an increase in total operating disbursements.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$6,853 to \$112,557 during the fiscal year, primarily due to less transfers than receipts.
- The Special Revenue, Volunteer Fireman's Association Fund cash balance increased \$8,224 to \$233,045 during the fiscal year. The increase is the result of donations and other receipts exceeding disbursements.
- The Capital Projects Fund increased to \$750 from a balance of zero. Grants and note proceeds covered disbursements.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Sewer Fund cash balance increased \$28,489 to \$260,004, due primarily to collections exceeding disbursements.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 30, 2012 and resulted in an increase in operating receipts, disbursements and other financing sources. Receipts were amended for grants received for street lighting, CDBG funds, fire truck donations and loan proceeds from the Iowa Finance Authority for planning and design of a sewer upgrade project. Expenses were amended for pay off of a bond for an electric generator, additional expenses for a sewer upgrade project, purchase of a new fire truck, and increases in health insurance costs.

DEBT ADMINISTRATION

At June 30, 2012, the City had approximately \$341,741 in bonds and other long-term debt compared to approximately \$314,414 last year, as shown below.

Outstanding Debt at Year-End		
	<u>2012</u>	<u>June 30</u> <u>2011</u>
General obligation bonds and notes	\$ 179,251	194,599
Revenue notes	-	17,000
Project anticipation notes	<u>162,490</u>	<u>102,815</u>
Total	\$ <u>341,741</u>	<u>314,414</u>

Debt increased as a result of issuing project anticipation notes for a sewer project.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and urban renewal debt of \$179,251 is significantly below its constitutional debt limit of \$1,755,750.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Anita's elected and appointed official and citizens considered many factors when setting the fiscal year 2013 budget, tax rates, and fees that will be charged for various City activities. Items considered included a sewer upgrade project, a new police vehicle purchase, a street project, audit expense, increases in wages and health insurance premiums, debt service levy, urban renewal note, fire truck bond payment, and a additional temporary employee in the parks department.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lindsay Jahde, City Clerk, PO Box 246, Anita, Iowa 50020-0246.

Basic Financial Statements

City of Anita
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2012

Functions/Programs:	Program		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest
Primary Government:			
Governmental activities:			
Public safety	\$ 331,962	38,592	181,436
Public works	272,309	6,782	171,360
Culture and recreation	93,380	-	13,079
Community and economic development	46,291	-	26,889
General government	68,503	430	4,176
Debt service	15,730	-	-
Capital projects	185,517	-	-
Total governmental activities	1,013,692	45,804	396,940
Business type activities:			
Sewer	74,526	103,015	-
Total business type activities	74,526	103,015	-
Total Primary Government	\$ 1,088,218	148,819	396,940
Component Unit:			
Anita Municipal Utilities	\$ 1,494,575	1,042,893	-
General Receipts:			
Property tax levied for:			
General purposes			
Employee benefits			
Debt service			
Local option sales tax			
Grants and contributions not restricted to specific purpose			
Unrestricted interest on investments			
Miscellaneous			
Note proceeds			
Sale of assets			
Total general receipts			
Change in cash basis net assets			
Cash basis net assets beginning of year			
Cash basis net assets end of year			
Cash Basis Net Assets			
Restricted:			
Expendable:			
Streets			
Local option sales tax purposes			
Fire equipment			
Capital projects			
Other purposes			
Unrestricted			
Total cash basis net assets			

See notes to financial statements

Receipts	Net (Disbursement) Receipts and Changes in Cash Basis Net Assets			Component Unit
Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total	Anita Municipal Utilities
-	(111,934)	-	(111,934)	-
-	(94,167)	-	(94,167)	-
-	(80,301)	-	(80,301)	-
-	(19,402)	-	(19,402)	-
-	(63,897)	-	(63,897)	-
-	(15,730)	-	(15,730)	-
126,592	(58,925)	-	(58,925)	-
126,592	(444,356)	-	(444,356)	-
-	-	28,249	28,489	-
-	-	28,249	28,489	-
126,592	(444,356)	28,489	(415,867)	-
-	-	-	-	(451,682)
\$	203,559	-	203,559	-
	41,853	-	41,853	-
	15,602	-	15,602	-
	102,853	-	102,853	-
	2,356	-	2,356	8,181
	224	-	224	23,818
	-	-	-	11,020
	59,675	-	59,675	-
	9,600	-	9,600	-
	435,722	-	435,722	43,019
	(8,634)	28,489	19,855	(408,663)
	299,285	231,515	530,800	1,700,371
\$	290,651	260,004	550,655	1,291,708
\$	31,661	-	31,661	-
	112,557	-	112,557	-
	233,045	-	233,045	-
	750	-	750	-
	3,688	-	3,688	-
	(91,050)	260,004	168,954	1,291,708
\$	290,651	260,004	550,655	1,291,708

City of Anita
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2012

		Special Revenue	
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 197,271	-	-
Other city tax	6,288	-	102,853
Licenses and permits	430	-	-
Use of money and property	3,684	-	-
Intergovernmental	215,203	92,195	-
Charges for service	370	-	-
Special assessments	2,952	-	-
Miscellaneous	6,486	-	-
	<u>432,684</u>	<u>92,195</u>	<u>102,853</u>
Disbursements:			
Operating:			
Public safety	271,647	-	-
Public works	149,030	101,784	-
Culture and recreation	85,239	-	-
Community and economic development	11,750	-	-
General government	55,623	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>573,289</u>	<u>101,784</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	(140,605)	(9,589)	102,853
Other financing sources (uses):			
Sale of capital assets	9,600	-	-
Note proceeds	-	-	-
Operating transfers in	135,190	-	-
Operating transfers out	-	-	(96,000)
Total other financing sources (uses)	<u>144,790</u>	<u>-</u>	<u>(96,000)</u>
Net change in cash balances	4,185	(9,589)	6,853
Cash balances beginning of year	<u>82,867</u>	<u>41,250</u>	<u>105,704</u>
Cash balances end of year	\$ <u>87,052</u>	<u>31,661</u>	<u>112,557</u>
Cash Basis Fund Balances			
Restricted for:			
Streets	\$ -	31,661	-
Local option sales tax purposes	-	-	112,557
Fire equipment	-	-	-
Capital projects fund	-	-	-
Other purposes	-	-	-
Unassigned	<u>87,052</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	\$ <u>87,052</u>	<u>31,661</u>	<u>112,557</u>

See notes to financial statements

Volunteer Fireman's Association	Capital Projects	Other Nonmajor Governmental Funds	Total
-	-	57,026	254,297
-	-	429	109,570
-	-	-	430
1,122	-	4	4,810
-	126,592	26,889	460,879
38,592	-	-	38,962
-	-	-	2,952
57,397	-	-	63,883
<u>97,111</u>	<u>126,592</u>	<u>84,348</u>	<u>935,783</u>
43,697	-	16,618	331,962
-	-	21,495	272,309
-	-	8,141	93,380
-	-	34,541	46,291
-	-	12,880	68,503
-	-	15,730	15,730
-	185,517	-	185,517
<u>43,697</u>	<u>185,517</u>	<u>109,405</u>	<u>1,013,692</u>
53,414	(58,925)	(25,057)	(77,909)
-	-	-	9,600
-	59,675	-	59,675
-	-	6,000	141,190
(45,190)	-	-	(141,190)
<u>(45,190)</u>	<u>59,675</u>	<u>6,000</u>	<u>69,275</u>
8,224	750	(19,057)	(8,634)
<u>224,821</u>	<u>-</u>	<u>(155,357)</u>	<u>299,285</u>
<u>233,045</u>	<u>750</u>	<u>(174,414)</u>	<u>290,651</u>
-	-	-	31,661
-	-	-	112,557
233,045	-	-	233,045
-	750	-	750
-	-	3,688	3,688
-	-	(178,102)	(91,050)
<u>233,045</u>	<u>750</u>	<u>(174,414)</u>	<u>290,651</u>

City of Anita
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Fund
As of and for the year ended June 30, 2012

	Enterprise Fund
	Sewer
Operating receipts:	
Charges for service	\$ 103,015
Operating disbursements:	
Business type activities	<u>57,007</u>
Excess of operating receipts over operating disbursements	46,008
Non-operating receipts (disbursements):	
Debt service	<u>(17,519)</u>
Net change in cash balances	28,489
Cash balances beginning of year	<u>231,515</u>
Cash balances end of year	\$ <u>260,004</u>
 Cash Basis Fund Balances	
Unrestricted	\$ <u>260,004</u>

See notes to financial statements

City of Anita
Notes to Financial Statements
June 30, 2012

NOTE (1) Summary of Significant Accounting Policies

The City of Anita is a political subdivision of the State of Iowa located in Cass County. It was first incorporated in 1875 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Anita has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Anita (the primary government) and its component units. The component units discussed below are included in the city's reporting entity because of the significance of their operational or financial relationship with the City.

Discretely Presented component Unit

The Anita Municipal Utilities Board, established under Chapter 388 of the Code of Iowa, is legally separate from the city, but has the potential to provide specific benefits to or impose specific burdens on the city. The Municipal Utilities is governed by a three-member board appointed by the Mayor and approved by the City council and its budget is subject to approval of the City Council. In accordance with criteria set by the Governmental Accounting Standards Board, the Municipal Utilities meets the definition of a component unit which should be discretely presented. Complete financial statements can be obtained from the Anita Municipal Utilities, 828 Main Street, PO Box 426, Anita, Iowa 50020.

City of Anita
Notes to Financial Statements
June 30, 2012

NOTE (1) Summary of Significant Accounting Policies - Continued

Blended Component Unit

The Anita Volunteer Fireman's Association is legally separate from the City, but is so intertwined with the City, it is, in substance, part of the City. The Anita Volunteer Fireman's Association was organized under Chapter 504A of the Code of Iowa as a non-profit corporation. The Association collects donations which are to be used to purchase items not included in the City's budget and to make donation to the City to help finance fire equipment. The financial transactions have been reported as a Special Revenue Fund of the City.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Cass County Assessor's Conference Board, Cass County Emergency Management Commission, Cass County Landfill Commission, and the Cass County Joint E911 Joint Service Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

City of Anita
Notes to Financial Statements
June 30, 2012

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for local sales and services tax receipts received and related disbursements.

The Volunteer Fireman's Association Fund is used to account for receipts and disbursements of the Anita Volunteer Fireman's Association.

City of Anita
Notes to Financial Statements
June 30, 2012

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through proprietary funds.

The City reports the following major proprietary fund:

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Anita maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursed grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

City of Anita
Notes to Financial Statements
June 30, 2012

NOTE (1) Summary of Significant Accounting Policies - Continued

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted.

NOTE (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board No. 3, as amended by Statement No. 40.

City of Anita
Notes to Financial Statements
June 30, 2012

NOTE (3) Long Term Debt

Annual debt service requirements to maturity for general obligation notes are as follows:

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2013	\$ 24,072	6,658
2014	24,679	5,739
2015	25,318	4,786
2016	25,991	3,801
2017	26,669	2,780
2018-2020	52,492	2,661
	<u>\$ 179,221</u>	<u>26,425</u>

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$1,755,750 which was not exceeded during the year ended June 30, 2012.

Sewer Revenue Project Anticipation Note

In September 2010, the City entered into a noninterest bearing sewer revenue anticipation project note for an interim amount not to exceed \$425,000 for planning and design of a sewer improvement project. The note matures September 29, 2013. As of June 30, 2012, the City has taken loan drawdowns totaling \$162,490.

NOTE (4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of covered payroll. Certain employees in special risk occupations, and the City, contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2012 was \$14,154, equal to the required contribution for the year.

City of Anita
Notes to Financial Statements
June 30, 2012

NOTE (5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2012, primarily relating to the General Fund was \$2,700. This liability has been computed based on rates of pay in effect at June 30, 2012.

NOTE (6) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2012 were \$21,366.

City of Anita
Notes to Financial Statements
June 30, 2012

NOTE (6) Risk Management- Continued

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation. The City assumes liability for any deductibles and claims in excess of coverage limitations. The City assumes responsibility for workers compensation claims in excess of \$1,000,000. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

City of Anita
Notes to Financial Statements
June 30, 2012

NOTE (7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales Tax	\$ 90,000
Special Revenue: Housing	Special Revenue: Local Option Sales Tax	<u>6,000</u>
		\$ <u>96,000</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

NOTE (8) Deficit Balances

At June 30, 2012, the City had the following deficit balances:

Special Revenue Funds:	
Housing	\$ 6,474
Urban Renewal Tax Increment	164,399
Employee Benefit	7,101
Debt Service	<u>128</u>
	\$ <u>178,102</u>

The City plans on eliminating the deficits in the Debt Service and Employee Benefits Funds upon receipt of property taxes. The deficit in the Housing Fund will be eliminated upon receipt of grant reimbursements. As soon as the City certifies the TIF debt and starts receiving funds, the deficit in the Urban Renewal Tax Increment Fund will be eliminated.

NOTE (9) Subsequent Event

In October 2012, the City awarded a contract for \$1,033,410 for a sanitary sewer improvement project.

Other Information

City of Anita
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
 Other Information
 Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual
Receipts		
Property tax	\$ 254,297	-
Other city tax	109,570	-
Licenses and permits	430	-
Use of money and property	4,810	-
Intergovernmental	460,879	-
Charges for service	38,962	103,015
Special assessments	2,952	-
Miscellaneous	63,883	-
Total receipts	<u>935,783</u>	<u>103,015</u>
Disbursements		
Public safety	331,962	-
Public works	272,309	-
Culture and recreation	93,380	-
Community and economic development	46,291	-
General government	68,503	-
Debt service	15,730	-
Capital projects	185,517	-
Business type activities	-	74,526
Total disbursements	<u>1,013,692</u>	<u>74,526</u>
Excess (deficiency) of receipts over (under) disbursements	(77,909)	28,489
Other financing sources, net	<u>69,275</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(8,634)	28,489
Balances beginning of year	<u>299,285</u>	<u>231,515</u>
Balances end of year	<u>\$ 290,651</u>	<u>260,004</u>

See accompanying independent auditors' report

Component Unit Actual	Less Funds not Required to be Budgeted	Actual	Budgeted Amounts		Budget to Actual Variance
			Original	Final	
-	-	254,297	252,061	252,061	2,236
-	-	109,570	102,304	102,304	7,266
-	-	430	750	750	(320)
31,999	1,122	35,687	67,580	67,580	(31,893)
-	-	460,879	382,900	417,457	43,422
1,042,893	38,592	1,146,278	1,271,386	1,271,386	(125,108)
-	-	2,952	-	-	2,952
11,020	57,397	17,506	58,170	98,535	(81,029)
1,085,912	97,111	2,027,599	2,135,151	2,210,073	(182,474)
-	43,697	288,265	211,254	288,347	82
-	-	272,309	249,015	314,005	41,696
-	-	93,380	81,372	94,322	942
-	-	46,291	25,000	48,541	2,250
-	-	68,503	64,980	79,380	10,877
-	-	15,730	15,730	15,732	2
-	-	185,517	151,000	185,742	225
1,494,575	-	1,569,101	1,238,214	1,646,214	77,113
1,494,575	43,697	2,539,096	2,036,565	2,672,283	133,187
(408,663)	53,414	(511,497)	98,586	(462,210)	(49,287)
-	(45,190)	114,465	-	60,000	54,465
(408,663)	8,224	(397,032)	98,586	(402,210)	5,178
1,700,371	224,821	2,006,350	2,130,821	2,130,821	(124,471)
1,291,708	233,045	1,609,318	2,229,407	1,728,611	(119,293)

City of Anita
Notes to Other Information – Budgetary Reporting
June 30, 2012

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the blended component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$635,718. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted.

Supplementary Information

City of Anita
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2012

	Special Revenue		
	Employee Benefits	Housing	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 41,542	-	-
Other city tax	311	-	-
Use of money and property	-	-	-
Intergovernmental	-	26,889	-
Total receipts	<u>41,853</u>	<u>26,889</u>	<u>-</u>
Disbursements:			
Operating:			
Public safety	16,618	-	-
Public works	21,495	-	-
Culture and recreation	8,141	-	-
Community and economic development	-	34,541	-
General government	12,880	-	-
Debt service	-	-	-
Total disbursements	<u>59,134</u>	<u>34,541</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	(17,281)	(7,652)	-
Other financing sources (uses):			
Operating transfers (in) out	<u>-</u>	<u>6,000</u>	<u>-</u>
Net change in cash balances	(17,81)	(1,652)	-
Cash balances beginning of year	<u>10,180</u>	<u>(4,822)</u>	<u>(164,399)</u>
Cash balances end of year	\$ <u>(7,101)</u>	<u>(6,474)</u>	<u>(164,399)</u>
Cash Basis Fund Balances			
Restricted for other purposes	\$ -	-	-
Unassigned	<u>(7,101)</u>	<u>(6,474)</u>	<u>(164,399)</u>
	\$ <u>(7,101)</u>	<u>(6,474)</u>	<u>(164,399)</u>

See accompanying independent auditors' report

Library Trust	Debt Service	Total
-	15,484	57,026
-	118	429
4	-	4
-	-	26,889
4	15,602	84,348
-	-	16,618
-	-	21,495
-	-	8,141
-	-	34,541
-	-	12,880
-	15,730	15,730
-	15,730	109,405
4	(128)	(25,057)
-	-	6,000
4	(128)	(19,057)
3,684	-	(155,357)
3,688	(128)	(174,414)
3,688	-	3,688
-	(128)	(178,102)
3,688	(128)	(174,414)

City of Anita
Schedule of Indebtedness
Year ended June 30, 2012

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds:			
Street improvement	July 3, 2007	5.25 %	\$ 120,000
Vehicle acquisition	June 1, 2011	2.50 %	112,500
Total			
Revenue notes:			
Sewer	May 14, 1992	3.00 %	\$ 225,000
Anticipation project notes:			
Sewer	Sept. 29 2010	0.00 %	\$ 425,000

See accompanying independent auditors' report

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
90,199	-	10,995	79,204	4,735	-
104,400	-	4,353	100,047	2,735	-
<u>194,599</u>	<u>-</u>	<u>15,348</u>	<u>179,251</u>	<u>7,470</u>	<u>-</u>
17,000	-	17,000	0	510	-
<u>102,815</u>	<u>59,675</u>	<u>-</u>	<u>162,490</u>	<u>-</u>	<u>-</u>

City of Anita
Note Maturities
June 30, 2012

Year Ending June 30,	General Obligation Notes				
	Street Improvement		Vehicle Acquisition		Total
	Issued July 3, 2007		Issued Nov. 30, 2007		
	Interest Rates	Amount	Interest Rates	Amount	
2013	5.25 %	\$ 11,572	2.50 %	\$ 12,500	\$ 24,072
2014	5.25 %	12,179	2.50 %	12,500	24,679
2015	5.25 %	12,818	2.50 %	12,500	25,318
2016	5.25 %	13,491	2.50 %	12,500	25,991
2017	5.25 %	14,199	2.50 %	12,500	26,699
2018	5.25 %	14,945	2.50 %	12,500	27,445
2019	-	-	2.50 %	12,500	12,500
2020	-	-	2.50 %	12,547	12,547
		\$ 79,204		\$ 100,047	\$ 179,251

See accompanying independent auditors' report

City of Anita



Diane McGrain, CPA
Jim Menard, CPA

January 17, 2013

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit Performed
in Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Anita, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated January 17, 2013. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2011. Except as noted in the Independent Auditors' Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of City of Anita is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Anita's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Anita's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Anita's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

Continued...

City of Anita
Independent Auditors' Report on
Internal Control and Compliance

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility, a material misstatement of City of Anita's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-12 to be a material weakness.

A significant deficiency is deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-12 through I-E-12 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Anita's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Anita's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Anita's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Anita and other parties to whom the City of Anita may report including federal awarding agencies and pass through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Anita during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schauer & Associates, P.C.

City of Anita
Schedule of Findings
Year ended June 30, 2012

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

I-A-12 Segregation of Duties

Comment - One important element in designing internal control to safeguard assets and reasonably ensure the reliability of the accounting records is the concept of segregation of duties. When duties are properly segregated, the activities of one employee act as a check of those of another. One person has control over each of the following areas:

City:

1. Accounting system – performing all general accounting functions, having custody of assets and being involved in purchasing.
2. Cash – initiating cash receipt and disbursement functions, handling and recording cash and bank reconciliations.
3. Receipts - opening mail, collecting, depositing, journalizing and posting.
4. Disbursements – check preparation, purchasing, reconciling, access to credit cards, controlling blank purchase orders, check signing and recording.
5. Long Term Debt – recording, reconciling and performing cash functions.
6. Payroll – preparing and distributing.

Library:

1. Cash – initiating cash receipt and disbursement functions, handling and recording cash and bank reconciliations.
2. Disbursements – check preparation, purchasing, reconciling, access to credit cards, controlling blank purchase orders, check signing and recording.

Anita Volunteer Fireman's Association:

1. Receipts – receiving, recording and custody.
2. Disbursements – purchasing, preparing checks and recording.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City, Library and the Anita Volunteer Fireman's Association should review their control procedures to obtain the maximum internal control possible under the circumstances.

City of Anita
Schedule of Findings
Year ended June 30, 2012

Part I: Findings Related to the Financial Statements - Continued:

SIGNIFICANT DEFICIENCIES - Continued:

I-A-12 Segregation of Duties - Continued

Responses -

City - We will review our procedures to maximize internal control based on limited staff and funds.

Library - We will consider your recommendation. However, we have a limited number of people (employees) which makes segregation of duties difficult. We will review our control procedures to gain as much internal control as possible.

Anita Volunteer Fireman's Association - We will evaluate our procedures and have a third party review our checks/balances.

Conclusion - Responses accepted.

I-B-12 Credit Cards

Comment - The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Recommendation - The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response - A policy will be established.

Conclusion - Response accepted.

I-C-12 Disbursements

Comment - Invoices and other supporting documentation were not always available to support disbursements.

Recommendation - All disbursements should be supported by invoices or other supporting documentation.

Response - All invoices and warrants will be filed by month and year.

Conclusion - Response accepted.

City of Anita
Schedule of Findings
Year ended June 30, 2012

Part I: Findings Related to the Financial Statements - Continued:

SIGNIFICANT DEFICIENCIES - Continued:

I-D-12 Anita Volunteer Fireman's Association Receipts

Comment – Pre-numbered receipts were not issued for all collections.

Recommendation – Pre-numbered receipts should be issued at the time of collection to provide additional control over the proper collection and recording of all money. The receipts should be reviewed periodically by an independent person.

Response – We will try to use pre-numbered tickets to have better control of our money in and out.

Conclusion – Response accepted.

I-E-12 Anita Volunteer Fireman's Association Bank Reconciliations

Comment – Monthly reconciliations of the Association's book balances to the bank accounts and investments were not prepared. A list of outstanding checks was not always prepared for each month and retained.

Recommendation – To improve financial accountability and control, a monthly reconciliation of the book and bank balances should be prepared and retained. Any variances should be investigated and resolved in a timely manner. A listing of outstanding checks should be prepared each month and retained. An independent review of the reconciliation should be reviewed periodically for propriety.

Response – We will start doing a monthly bank reconciliation and have it reviewed by an independent person.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Anita
Schedule of Findings
Year ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting:

- II-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 did not exceed the budgeted amounts.
- II-B-12 Questionable Disbursements –No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-12 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-12 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Duane Murphy, Council Member, Owner of Murphy Heavy Contracting	Supplies	\$ 350

The transaction with the Council Member does not appear to represent a conflict of interest since the cumulative amount was less than \$1,500 during the year.

- II-E-12 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-12 Council Minutes

Comment - No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of City Council proceedings were published, they were not published within the fifteen days as required by Chapter 372.13(6) of the Code of Iowa. Also, the City did not publish annual gross salaries in accordance with an Attorney General's opinion dated April 12, 1978.

Recommendation – The City should publish minutes and annual salaries as required.

Response – We will publish minutes and annual salaries as required.

Conclusion – Response accepted.

City of Anita
Schedule of Findings
Year ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting:

II-G-12 Deposits and Investments

Comment – The City has not adopted a written investment policy as required by chapter 12B.10B of the Code of Iowa.

Recommendation – The City should adopt a written investment policy as required by chapter 12B.10B of the Code of Iowa.

Response – We will do this.

Conclusion – Response accepted.

II-H-12 Revenue Notes – No instances of non-compliance with the revenue note resolution were noted.

II-I-12 Financial Condition

Comment – At June 30, 2012, the City has the following deficit balances:

Special Revenue Funds:	
Housing	\$ 6,474
Urban Renewal Tax Increment	164,399
Employee Benefit	7,101
Debt Service	<u>128</u>
	\$ <u>178,102</u>

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – The City plans on eliminating the deficits in the Debt Service and Employee Benefit Funds upon receipt of property taxes. The deficit in the Housing Fund will be eliminated upon receipt of grant reimbursements. As soon as the City certifies the TIF debt and starts receiving funds the deficit in the Urban Renewal Tax Increment Fund will be eliminated.

Conclusion – Response accepted.

II-J-12 Excess Balances

Comment – The balance in the Enterprise - Sewer Account at June 30, 2012 was in excess of the disbursements made from the fund during the year.

Recommendation – The City should consider the necessity of maintaining the excess balance, and where financially feasible, consider reducing the balance in an orderly manner through revenue reductions.

Response – We are maintaining the fund balance for future projects.

Conclusion – Response accepted.